

MEETING MINUTES
EBMUD 401(k)/457(b) & 401(a) ADVISORY COMMITTEES
Thursday – February 20, 2025 – 9:00 a.m.

A regular meeting of the 401(k)/457(b) Advisory Committee and the 401(a) Advisory Committee convened on Thursday, February 20, 2025, at 9:03 a.m. The meeting was called to order by Lisa Sorani (as C. Charan), Acting Chairperson.

This meeting was conducted with DC Advisory Committee Members physically present in the Administration Building, 375 Eleventh Street, 2nd Floor Large TRC, Oakland, California. This location served as the physical location for members of the public who wished to attend the meeting in person. Please note, however, that members of the public were also provided with the opportunity to participate via video and teleconference. To participate in the meeting or provide public comments, please see the Appendix of the Agenda for instructions on joining the Zoom meeting online or by phone. Some Staff and Presenters also attended via Zoom.

ROLL CALL:

L39 has two representatives that support each other by attending the DC Advisory Committee meetings, Andrew Kwan is Rep A and Arcelio Camacho is Rep B. There is only one committee vote for L39, the Rep in attendance will be noted as attending. We will not mark the 2nd Rep as absent as only one Rep needs to attend each meeting. "L39 Rep" will be marked absent if neither Rep A nor Rep B are in attendance.

The following 401(k)/457(b) Advisory Committee Members were present: Kevin Fitzsimmons, Steven Goodman-Leibof (as Robert Hannay), Andrew Kwan (L39 Rep A), Sophia Skoda (arrived at 9:12 a.m.), Matthew Stimson, Stella Tan, Ginger Chen, Alan Chan, Nick Baranzini (arrived at 9:51 a.m.), and Lisa Sorani (as C. Charan). Committee Member absent: None.

The following 401(a) Advisory Committee Members were present: Kevin Fitzsimmons, Steven Goodman-Leibof (as Robert Hannay), Andrew Kwan (L39 Rep A), Sophia Skoda (arrived at 9:12 a.m.), Stella Tan, Ginger Chen, Alan Chan, and Lisa Sorani (as C. Charan). Committee Member absent: None.

Staff members present: Valerie Weekly, Mae Shepherd, Nancy Li and Shirley Ng

Consultants present: Hyas Group (Audrey White, Tom Breaden), Fidelity Investments (Suzanne Rogers, Ashley Roe)

PUBLIC COMMENT:

There was no public comment.

CONSENT CALENDAR:

1. Approval of Minutes - 401(k)/457(b) and 401(a) Meeting Minutes of November 14, 2024.

Amendments to the Minutes: Matthew Stimson made a comment about the November 14, 2024, minutes regarding the voting results for items #1-5. Matthew wanted to be removed as a voting member of the 401(a) committee. This would adjust the voting count for the 401(a) committee to 5-0-0-2. Andrew Kwan commented that both representatives from Local 39, Arcelio Camacho and Andrew Kwan, were absent from the November 14, 2024, meeting and should be removed from the voting count. This would adjust the voting count for the 401(k)/457(b) to 6-0-0-3. Staff will verify attendance and update the voting counts for both committees on items #1-5 accordingly.

The meeting minutes approval were tabled to the end of the meeting as voting required a quorum. Lisa reminded the committee that it is important to share information with their counterparts to be able to vote for the approval of minutes.

Kevin Fitzsimmons motioned to approve the minutes with the amended changes, and Steven Goodman-Leibof seconded.

The motion carried for the 401(k)/457(b) Committee (6-0-4-0) by the following: AYES (Lisa Sorani, Sophia Skoda, Steven Goodman-Leibof, Alan Chan, Kevin Fitzsimmons, Matthew Stimson), NOES (None), ABSTAIN (Andrew Kwan, Stella Tan, Nicholas Baranzini, Ginger Chen), ABSENT (None).

The motion carried for the 401(a) Committee (5-0-3-0) by the following: AYES (Lisa Sorani, Sophia Skoda, Steven Goodman-Leibof, Alan Chan, Kevin Fitzsimmons), NOES (None), ABSTAIN (Andrew Kwan, Stella Tan, Ginger Chen), ABSENT (None).

ACTION:

Action items were rescheduled for the end of the meeting because quorum was not met. The committee took a break and resumed the meeting at 10:27 a.m.

2. Consider a Change to Participant Account Fees – (Hyas Group)

Presenters: Audrey White and Tom Breaden from Hyas Group

Participant Fee Analysis - Audrey White presented the Participant Fee Evaluation Report, which included multiple fee scenarios demonstrating the impact to the administrative account balances if fees are increased/decreased. It included options for a fee holiday and/or a participant rebate, as well as a mix-and-match option to change the administrative fees and provide a participant rebate.

The current administrative fee charged on participant account balances is 3.5 basis points (0.035%). This fee funds recordkeeping, investment consulting, training, education, and other plan-related expenses. The District contributes \$150,000 annually to the plan, an increase from \$105,500 in prior years. The goal is to maintain at least six months of expenses in reserves to

cover unforeseen costs. Current estimates indicate the reserves will reach \$368,000 by year-end, exceeding the \$174,000 target, leading to a \$194,000 surplus.

The committee discussed three potential approaches:

- **Rebate to Participants:** A lump-sum refund distributed pro-rata based on account balances
- **Fee Holiday:** Suspending the fee collection temporarily to reduce the reserves balance over time
- **Mixed Approach:** A combination of rebates and temporary fee reductions.

The concerns of the committee were:

- **Timing of Rebate:** Whether the rebate should be based on a specific prior period (e.g., 3-6 months ago) or the most current account balances.
- **Equity in Rebates:** Ensuring rebates reflect contributions, as fees are charged based on account balance.
- **Long-Term Fee Strategy:** Avoiding frequent adjustments while ensuring long-term sustainability.
- **Projected Reserve Growth:** Clarifying expected growth in reserves and how fee adjustments could impact future balances.

After thorough discussion, the Committee approved keeping the participant administrative fee at 0.035% (3.5 basis points) and a one-time rebate pro-rata across all accounts, in an amount to be updated/calculated by Hyas Group, that will leave approximately six months' worth of reserves. This is to be done as soon as administratively possible. Hyas Group will communicate the rebate amount to EBMUD and EBMUD will direct Fidelity to initiate this transaction. On the next Participant Fee Evaluation Report, the Committee asked Hyas Group to include multi-year forecasting and project approximately five years.

Nicholas Baranzini motioned, and Matthew Stimson seconded for the 401(k)/457(b) committee to issue a rebate to participants and maintain the 3.5 basis point administrative fee, while keeping the six months of reserves as a financial buffer with future discussions to reassess long-term fee structures and potential adjustments based on market conditions.

The motion carried for the 401(k)/457(b) Committee (10-0-0-0) by the following: AYES (Lisa Sorani, Sophia Skoda, Steven Goodman-Leibof, Alan Chan, Kevin Fitzsimmons, Andrew Kwan, Nicholas Baranzini, Ginger Chen, Matthew Stimson, and Stella Tan, NOES (None), ABSTAIN (None), ABSENT (None).

Lisa Sorani motioned, and Alan Chan seconded for the 401(a) committee to issue a rebate to participants and maintain the 3.5 basis point administrative fee.

The motion carried for the 401(a) Committee (8-0-0-0) by the following: AYES (Lisa Sorani, Sophia Skoda, Steven Goodman-Leibof, Alan Chan, Kevin Fitzsimmons, Andrew Kwan, Ginger Chen, and Stella Tan, NOES (None), ABSTAIN (None), ABSENT (None).

3. **Adopt 2025 Plan Revenue and Expense Report – (Hyas Group)**

Presenters: Audrey White and Tom Breaden from Hyas Group

Hyas Group provided the Fourth Quarter Plan Revenue and Expense report for EBMUD's Deferred Compensation (DC) plans and shared the forecasted 2025 Plan Revenue and Expense Report. The Committee asked Hyas Group to update future reports to show amounts cumulatively allocated to the recordkeeping RFP and training/education. The training and education budget was increased from \$10,000 to \$12,000. There was also discussion of the participant rebate possibly being added as an expense item in the budget.

a) Quarterly Plan Budget

Hyas Group provided the Fourth Quarter 2024 Performance Report, which included the Market and Economic Update. Thematically, the economy and market have not changed significantly from the prior quarter. U.S. growth has been resilient and held at or above the 3% level for several quarters. Monthly jobs numbers support the expectation for a continuation of what has been a strong job market, and inflation, while not falling to outright comfortable levels, has remained in check. The Federal Reserve opted to cut rates by .25% at their November and December meetings, but expectations for the number and magnitude of cuts have been reduced significantly for 2025. The markets will be digesting what impacts, if any, the new Trump administration policies will have. Focus on tariffs, decreased regulation, and federal spending will be most acute.

Andrew Kwan motioned, and Stella Tan seconded for the 401(k)/457(b) and the 401(a) Committees to adopt the 2025 Plan Revenue and Expense Report and Quarterly Plan Budget. The motion carried for the 401(k)/457(b) Committee (10-0-0-0) by the following: AYES (Lisa Sorani, Sophia Skoda, Steven Goodman-Leibof, Alan Chan, Kevin Fitzsimmons, Andrew Kwan, Nicholas Baranzini, Ginger Chen, Matthew Stimson, and Stella Tan), NOES (None), ABSTAINS (None), ABSENT (None).

The motion carried for the 401(a) Committee (8-0-0-0) by the following: AYES (Lisa Sorani, Sophia Skoda, Steven Goodman-Leibof, Alan Chan, Kevin Fitzsimmons, Andrew Kwan, Ginger Chen, and Stella Tan), NOES (None), ABSTAINS (None), ABSENT (None).

4. **Artisan Small Cap Fund Update – Manager Search Report – (Hyas Group)**

Presenters: Audrey White and Tom Breaden

The Artisan Small Cap Fund was placed on watch during 1Q 2024 due to underperformance. Hyas Group provided a Small Cap Growth Manager Search report for possible replacement options of the fund. Artisan Small Cap Growth Fund's performance in comparison to its benchmark and peer groups is noted for having relatively poor performance in this timeframe.

A few alternatives were mentioned, including funds like Vanguard Explorer and T. Rowe Price's small-cap growth options. The sector allocations of different funds were discussed. The

performance trends of these funds were also reviewed, noting how certain sectors have performed better over recent years. Historical performance metrics were discussed. Funds like Vanguard Explorer and T. Rowe Price's small-cap funds have shown positive returns over five years, compared to Artisan's underperformance. Specific returns are provided, with Vanguard showing 5.57% return over the last five years, compared to a 3.5% return for another fund and up to 6.9% for other alternatives. Vanguard Explorer, for example, uses a passive strategy but also includes 12-month active management to improve returns. T. Rowe Price's fund operates under a single manager but uses sub-advisors to diversify the investment approach. It is noted that the Artisan fund had been more diverse in its allocations but may have suffered from over-exposure to sectors that have underperformed in recent years. There will be further exploration of options, including reallocating funds or switching managers.

After review and discussion of the current Artisan Small Cap Fund holdings and reviewing fund alternatives, including Hood River Small Growth R, Vanguard Explorer Adm, T. Rowe Price Integrated Small Growth I, and Fidelity Small Cap Growth Index, the Committee approved replacing the Artisan Small Cap Fund (APHSX) in the 457(b), 401(k), and 401(a) plans with the Hood River Small Growth Fund (HRSIX), as soon as administratively possible. Hyas Group will work with Fidelity and EBMUD to facilitate this change.

Matthew Stimson motioned, and Stella Tan seconded for the 401(k)/457(b) committee to replace the Artisan Small Cap Fund with Hood River Small Growth Fund for the 401(k) and 457(b) plans.

The motion carried for the 401(k)/457(b) Committee (10-0-0-0) by the following: AYES (Lisa Sorani, Sophia Skoda, Steven Goodman-Leibof, Alan Chan, Kevin Fitzsimmons, Andrew Kwan, Nicholas Baranzini, Ginger Chen, Matthew Stimson, and Stella Tan), NOES (None), ABSTAINS (None), ABSENT (None).

Sophia Skoda motioned, and Andrew Kwan seconded for the 401(a) committee to replace the Artisan Small Cap Fund with Hood River Small Growth for the 401(a) plan.

The motion carried for the 401(a) Committee (8-0-0-0) by the following: AYES (Lisa Sorani, Sophia Skoda, Steven Goodman-Leibof, Alan Chan, Kevin Fitzsimmons, Andrew Kwan, Ginger Chen, and Stella Tan), NOES (None), ABSTAINS (None), ABSENT (None).

INFORMATION:

5. Markets and Economic Update and Investment Performance – (Hyas Group)

Presenters: Audrey White and Tom Brearden from Hyas Group

Hyas Group presented the fourth-quarter performance report, highlighting resilience in financial markets. The U.S. economy maintained strong growth, with wages, employment, and spending expanding. The Federal Reserve made two 25-basis-point interest rate cuts in November and December, with additional reductions expected in the second half of 2025. A manager search is under consideration for replacing the Artisan Small Cap Fund. The

combined market value of all retirement plans (457(b), 401(a), and 401(k)) reached \$776.1 million, reflecting continued asset growth.

Key funds to watch include:

- Artisan Small Cap Fund (APHSX) – Action was taken on this fund in agenda item #4.
- American Funds EuroPacific Growth (RERGX) – This fund was placed on watch last quarter due to underperformance. The Committee agreed with Hyas Group’s recommendation to retain the fund on watch status.
- MFS Mid Cap Growth Fund (OTCJX) – This fund was placed on watch last quarter due to underperformance. The Committee agreed with Hyas Group’s recommendation to retain the fund on watch status.
- Vanguard Wellesley Income (VWIAX) – This fund was placed on watch last quarter due to underperformance. The Committee agreed with Hyas Group’s recommendation to retain the fund on watch status.

Plan Performance & Asset Allocation:

- Total plan assets grew from \$662.5 million in 2023 to \$769.9 million in 2024.
- Negative cash flow of \$2.9 million was offset by a market gain of \$13.2 million.
- Portfolios increased by 1.74% for the quarter and over 18% for the year.
- Large-cap fund allocation rose from 30% in 2019 to 37% in 2024.
- Fixed-income allocation declined from 14% in 2018 to 8%, indicating a shift from conservative investments.

Individual Plan Details:

Plans as of 12/31/24	457(b) Plan	401(a) Plan	401(k) Plan
End Value \$	\$182.3 million balance	\$80.1 million balance	\$507.5 million balance
# of Participants (with an ending balance)	1,428 accounts	612 accounts	2,552 accounts
Average Participant Balance	\$127,000	\$131,000	\$198,859
Loans	No participant loans.	Loan activity increased this quarter.	Loans at 1.03%.

Plan Fees & Revenue Sharing: Lisa Sorani explained that revenue sharing is returned to participants, ensuring equitable expense distribution.

6. Compliance Update – (Hyas Group)

Presenters: Audrey White and Tom Breaden from Hyas Group

Hyas Group presented and updates related to the SECURE Act 2.0 were discussed, specifically Provision 603, which mandates that catch-up contributions be made as ROTH starting in 2026. A recent clarification exempts employers, that do not pay into Social Security, from this requirement. The Social Security Fairness Act, signed into law in Q1 2025, eliminates the Windfall Elimination Provision and the Government Pension Offset, which previously reduced Social Security benefits for public sector employees with pensions. While this change does not impact our current plans, employees with past military or government service, or spouses, may be affected. Ongoing litigation regarding administrative and investment fees remains a key issue in compliance discussions. Committee members are fulfilling fiduciary responsibilities by reviewing and assessing fees regularly to mitigate risks and avoid legal challenges. Ensuring fee structures are reasonable and transparent helps prevent potential compliance issues.

7. **Fidelity Investments Quarterly Report – (Fidelity Investments)**

Presenters: Suzanne Rogers and Ashley Roe from Fidelity

Suzanne Rogers presented a new report, which included a 10-year trend analysis. There was notable growth in plan assets from \$228 million in 2010 to \$758 million currently. Active and retired participants were reviewed. Longer tenured employees showed lower participation rates in all three plans. There was strong participation from employees with at least one year of tenure. Fidelity recommends a 15% savings rate, but the average participant savings are currently at 12.6%. A breakdown of deferral rates was provided with 40% of employees saving over 10% on their plans. Asset allocations were strong and target date funds are usually the default investment option. Generation differences in investment behavior were observed. 17.8% of all participants have at least one loan outstanding, which is below the public sector peer average of 20%. Most loans taken are for general purposes rather than home purchases. 52% of hardship withdrawals are due to foreclosure or eviction.

Ashley Roe, Fidelity's Communication Consultant, provided an overview of engagement efforts among all participants. Engagement levels impact retirement readiness. Highly engaged employees tend to have higher savings rates and account balances. Mobile and digital engagement statistics were discussed with 88% of participants being fully digitally enabled, 82% of participants have an email on file, and 72% of participants have a registered mobile number. New communication strategies were presented, including Spanish-language recognition for automatic translations and a video series featuring a professional comedian to enhance financial education. Upcoming educational resources and webinars by Fidelity include a Black History Month financial literacy webinar, with a focus on savings and investing, and a Women's History Month webinar featuring high-profile speakers such as Bobby Brown and Robin Roberts.

8. **Staff Report:**

Presenter: Lisa Sorani

Lisa Sorani provided updates on the staff report, including introduction of Ginger Chen as the appointed representative for Local 2019 on the 401(k)/457(b) and 401(a) committees,

introduction of Shirley Ng as the new Deferred Compensation Human Resources Technician, and 4Q 2024 participant account fees and credits.

Lisa Sorani explained the payroll system transition to a new platform. Integration with pension systems and Human Resources (HR) technology projects is under consideration including an ongoing evaluation of HR and payroll systems and impacts on Fidelity contract extensions and related administrative workload.

Lisa Sorani provided an update on a phishing text message that appeared from Fidelity Investments with a link for employees to access their tax documents. Staff will be sending emails to all employees cautioning them to remain vigilant during tax season.

Hyas Group reached out to Alan Chan to conduct fiduciary training and will reach out to new committee member Ginger Chen. The NAGDCA conference was discussed. Matthew Stimson and Sophia Skoda expressed their interest in attending.

ITEMS TO BE CALENDARED:

There were no items to be calendared.

MEETING ADJOURNMENT:

Sophia Skoda motioned for the 401(k)/457(b) and 401(a) committees to adjourn the meeting at 12:03pm. Andrew Kwan seconded.

The motion carried for the 401(k)/457(b) Committee (10-0-0-0) by the following: AYES (Lisa Sorani, Sophia Skoda, Steven Goodman-Leibof, Alan Chan, Kevin Fitzsimmons, Andrew Kwan, Nicholas Baranzini, Ginger Chen, Matthew Stimson, and Stella Tan), NOES (None), ABSTAINS (None), ABSENT (None).

The motion carried for the 401(a) Committee (8-0-0-0) by the following: AYES (Lisa Sorani, Sophia Skoda, Steven Goodman-Leibof, Alan Chan, Kevin Fitzsimmons, Andrew Kwan, Ginger Chen, and Stella Tan), NOES (None), ABSTAINS (None), ABSENT (None).